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DENMARK

POLITICAL FACT SHEET

General

Denmark is a Constitutional Monarchy with a unicameral parliament called the Folketing. The Head of Government is Prime Minister Poul Schlueter, a Conservative. Parliamentary elections must be held at least once every four years, and political party representation in parliament is proportional to the number of votes received in the general election. The last election, held in January 1984, yielded the following results:

	<u>Seats in Parliament</u>	<u>Percent of Vote</u>
<u>Nonsocialist Parties in Government</u>	<u>77</u>	<u>42.8%</u>
Conservative Party	42	23.4%
Liberal Party	22	12.1%
Center Democrats	8	4.6%
Christian Peoples Party	5	2.7%
<u>Socialist Opposition</u>	<u>82</u>	<u>45.7%</u>
Social Democratic Party	56	31.6%
Socialist Peoples Party	21	11.5%
Left Socialist Party	5	2.6%
<u>Other Parties</u>	<u>16</u>	<u>9.1%</u>
Radical Liberal Party	10	5.5%
Progress Party	6	3.6%
Greenland Home Rule Authority	2	--
Faroe Islands	2	--
Other	-	2.4%
<u>TOTAL</u>	<u>175</u>	<u>100.0%</u>

Key Cabinet members are:

Prime Minister.....Poul Schlueter (Cons.)
 Foreign Minister.....Uffe Ellemann-Jensen (Lib.)
 Defense Minister.....Hans Engell (Cons.)
 Finance Minister.....Palle Simonsen (Cons.)

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These briefing memoranda were prepared by [redacted] the Office of European
 Analysis [redacted]

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DENMARK

FOREIGN POLICY

Stalemate on Security Policy

Although the Conservative Party heads a nonsocialist, pro-NATO government, the Social Democratic Party is able to command parliamentary majorities for its leftist positions on security issues. This situation has led to stifled government initiatives and binding parliamentary restraints that have made Denmark a somewhat weak and ineffectual Ally on security issues.

- The Danish Parliament has passed numerous resolutions on Alliance nuclear policies and SDI that have forced the government to formally express its reservations about the content of NATO communiques.
- Similar leftist pressure has led to Danish support for the establishment of a Nordic Nuclear-Weapons-Free Zone. Nordic Foreign Ministers will meet later this month to discuss taking the "Zone process" another step forward, but Icelandic opposition and Norwegian ambivalence will probably continue to stall progress on the issue.
- Defense spending has not increased in recent years, falling far short of NATO's target of 3 percent annual growth. Later this year, Parliament will decide on funding levels through 1992. The Social Democrats and the government will probably agree on administrative fixes that will net a slight increase in spending, although there will be a nominally "no-growth" budget.

Greenland Early Warning Radar

Recent qualitative improvements to the US warning radar in Thule, Greenland, sparked debate in Denmark over whether the upgrade was related to future SDI deployment and might violate the ABM Treaty.

- The Social Democrats cooperated with the Government and Greenland's Home Rule Authority to override leftist attempts to block the radar upgrade and impose Danish-Greenlandic oversight of the U.S. bases. Dispute over the radar issue split Greenland's Home Rule coalition, however, forcing an early election.

European Community

Denmark will take over the EC Presidency from Belgium for the July through December period. So far, no major initiatives have been planned.

- Denmark opposes Turkish membership in the EC in the near term. Copenhagen will continue to explore the possibilities for a UN-sponsored Mideast Peace conference along lines approved by the EC in its 23 February meeting.

DENMARK

DOMESTIC AFFAIRS

Gearing up for a national election

Prime Minister Schlueter has said he expects to call a national election sometime this Fall. However, an election run this Spring on short-notice would be to his advantage because it would not give the large Social Democratic Party's machinery much time to swing into action.

- Environmental and economic issues are likely to dominate the election campaign. Strong nonsocialist performance in controlling inflation, unemployment, and labor negotiations should help the government remain in power. Recent government infighting over environmental issues, however, could favor leftist parties. Both the nonsocialists and the Social Democrats hope to agree on a defense spending package before the election, thus keeping security issues out of the campaign.
- Schlueter's Conservative Party appears strong, and will probably win the Prime Minister's seat once again. Recent reports have indicated, however, that the Conservative's three coalition partners may opt to leave government, forcing a minority government that would need to court their votes on an issue-by-issue basis.
- The Social Democrats continuing decline will probably be reflected in the election returns. This could lead Anker Jorgensen, Party Chairman and long-time Prime Minister, to resign in favor of Deputy Chairman Svend Auken.
- The anti-NATO Socialist Peoples Party will probably show continued growth, but at a slower pace than in recent years. We think the party could get as much as 15%, but this could turn out to be its high-water mark well into the 1990s.

DENMARK

ECONOMY AND TRADE

Statistics and Outlook

The Danish economy features an extensive service sector and a diverse manufacturing sector dominated by the chemicals industry, food processing, the furniture industry, and engineering. Both government spending and the tax burden each account for about 60 percent of GDP--higher than in all OECD countries except Sweden.

- Danish forecasters are predicting that economic growth will fall to about 1 percent in 1987 from 3.3 percent in 1986 because of falling investment and consumption due to the government's efforts to encourage savings. Slower growth, however, may alleviate some of the political criticism the Schlueter government has received for the large, persistent current account deficit. Dampened consumption is expected to help reduce the current account deficit by about 40 percent to \$2.5 billion.
- Exports account for about 37 percent of Denmark's GDP, and over 65 percent of merchandise export earnings are from the sale of manufactured goods. Exports grew by 6.4 percent in volume terms in 1985 and by 1.6 percent in 1986.
- The United States is Denmark's fourth largest trading partner, accounting for 8.2 percent of Danish exports in 1986. Principal exports to the US are meat, furniture, and machinery. [redacted]

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Economic Policy

Copenhagen's main economic policy goal has been to obtain increases in production and employment while simultaneously reducing the large current account deficit. The aim of the government's policy is to bring the private sector savings ratio back to the level of the 1960s and 1970s, which together with a continued public sector savings surplus, should help eliminate the current account deficit.

- The Schlueter government's 1987 budget produces a deficit of only 0.1 percent of GDP after a substantial surplus last year. Although the government was forced to make a number of concessions to the Radical Liberals, public consumption will only increase marginally.
- Government officials are pleased with the recently concluded four-year wage agreement that it hopes will lend stability to labor relations. Private economists are more skeptical of the pact, however, saying that it will lead to a 5-percent deterioration in Danish competitiveness this year and add to the current account deficit. [redacted]

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